

**ABSTRACT**

The present invention determines the cost to shareholders and the value to employee of stock options (ESOs). The invention addresses the unique features that differentiate ESOs from exchange-traded options (ETOs), including transferability and vesting  
5 restrictions, forfeiture, blackout dates and non-traditional features. Non-traditional features include performance vesting, “indexed” options (option’s strike price is tied to an index) and “repriceable” options (option’s strike price may be reset if the option becomes too far “under water”).